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Factors Driving Canada's Rural Economy

1914 to 2006

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Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0[s]	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
p	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the *Statistics Act*
A	excellent
B	very good
C	good
D	acceptable
E	use with caution
F	too unreliable to be published

An earlier version was presented to the "Growing Regions" conference in Brisbane, Australia, July, 2006

Abstract

Three drivers for rural Canada are technology, prices, and demography.

The relative increase in the value of human time is causing the substitution of machines for labour, thanks to labour-saving technology. Primary sectors will employ fewer people. Successful communities will necessarily find a new good or service to export.

The falling price of transporting goods helps rural Canada to be competitive in manufacturing. Successful rural communities may be expected to have a manufacturing base —exceptions being communities with a natural amenity attraction.

The price of transferring information is falling. Rural people can receive and send information faster —but so can urban people! The declining price of exchanging information is changing the opportunities in rural areas.

Regarding demographics:

- Aboriginal peoples are a driver of rural Canada's demography;
- The economic advantages of agglomerations are driving the demography of those rural communities that are able to link to these agglomerations;
- Rural areas are competitive in attracting the demographic groups of young families and early retirees;
- Some rural areas are competitive in attracting international immigrants.

Introduction

Rural Canada was settled in order to export commodities – cod, beaver pelts, lumber, wheat, metals (such as gold and nickel), uranium and now diamonds. In a nutshell, this is 400 years of rural Canadian history. One view of the problematique for rural Canada is that, due to the on-going increase in the value of human time (Schultz, 1972), there is an on-going pressure to substitute machines for workers in these commodity sectors. Consequently, communities dependent upon these commodity sectors have fewer and fewer workers employed in these sectors, often in a context when more and more of the commodity is being shipped from the community. Communities are confronted with the challenge to find a new good or service to export from their community in order to maintain their employment base. Not all rural Canadian communities have been able to find something new to export (Mwansa and Bollman, 2005).

Given this problematique, we identify and discuss three fundamental drivers for rural Canada:

- technology;
- prices, and
- demography.

Are these drivers unique to rural Canada? Not really. However, these so-called "drivers" are proposed as key factors that define or provide opportunities for rural areas, relative to urban areas.

By identifying "drivers", everything else is implied to be a "rider" – as in "if you are not driving, you are riding." This is admittedly unfair. The real world is not black and white, it is clearly grey. To illustrate, two factors that would be classified toward the "rider" end of the "driver-to-rider" continuum are:

i) primary industries (specifically, the traditional primary sectors producing commodities) would not be considered as "drivers." Primary industries are shedding labour. If rural development is the growth of jobs and / or the growth of population, then commodity production is not a driver of rural development; and

ii) infrastructure (roads, airports, schools, Internet service, etc.) would not be viewed as a driver of rural development. Infrastructure would be viewed as responding to development. The words of Mrs. Skinner, during the protest of the closure of the town hospital, are key:

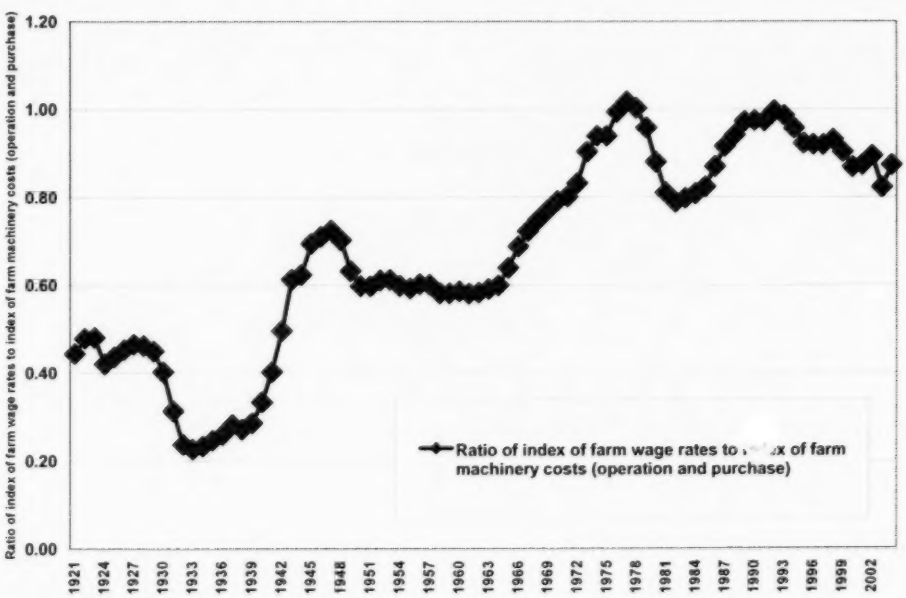
> *In time, we realized the truth – that we did in fact have a hand in making that decision. Fifty years of complacency had allowed our community to shrink in population, economic viability and regional importance.* (Quoted in Scholz [2002], p. 34)

The supply of infrastructure would not seem to be a driver of rural development. Rather, the driver is the idea or the identification of a good or service that can be produced here and sold to someone from away. The idea is a "driver". The resulting demand for infrastructure justifies the provision of infrastructure which is a supply response to the demand for infrastructure.

Driver #1: Labour-saving technology

The key factor is the increasing value of human time (Schultz, 1972). For example, in agriculture, the price of labour is increasing relative to the price of machinery (Figure 1). This means there is an on-going incentive to adopt labour-saving technology – to substitute machines for labour. Thus, regardless of the price of outputs (wheat or lumber or nickel, etc.), communities dependent on primary sectors will have fewer and fewer people working in these sectors. Successful communities will be those who find a new good or service to export in order to maintain their employment base.

Figure 1 The price of farm labour tends to increase over time relative to farm machinery costs (operation and purchase), measured relative to 1992=1.00



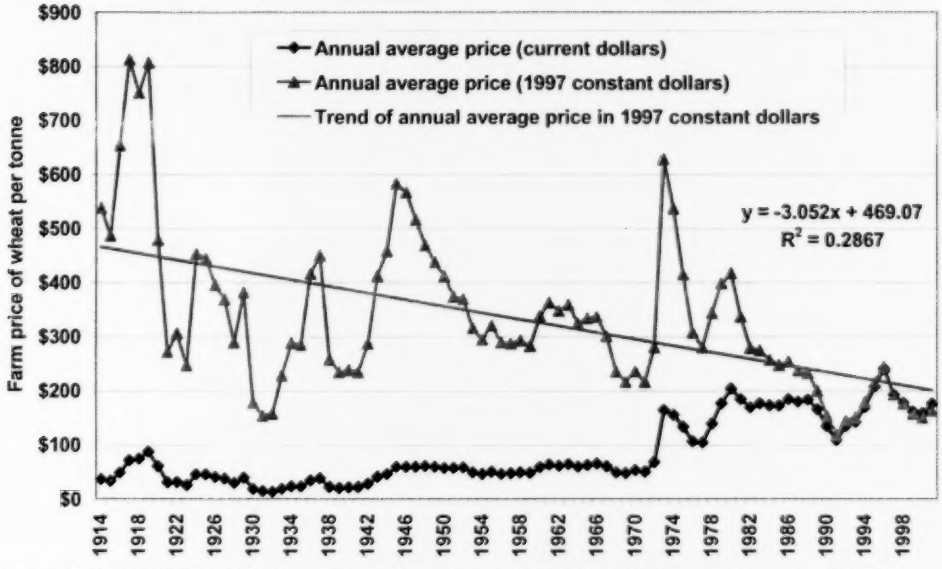
Source: Statistics Canada, Farm Input Price Index (Catalogue no. 62-004)

It is well known that the price of commodities is declining. For example, wheat prices, on average, have declined about CAN$3.05 per tonne per year since 1916 (Figure 2). Many

rural citizens hope for an increase in commodity prices to save their rural community. It is true that an increase in commodity prices would increase the dollars circulating in rural areas. But people, not dollars, constitute rural communities. Regardless of the price of the output, the increasing value of human time will cause the adoption of labour-saving technology and fewer people will be employed in primary industries.

Traditional rural communities will continue to experience declining employment in the primary sector – regardless of the price of commodities. The good news is that the value of human time continues to increase (i.e. our real wages are increasing). The bad news for traditional rural communities is that the primary sector will continue to shed labour. Successful rural communities in the future will have found new goods and / or services to sell from their communities.

Figure 2 The price of wheat is declining, after accounting for inflation



Source: Statistics Canada, CANSIM. Series D216036 for average farm price of wheat per tonne, updated from 1984 with the wheat (excluding seed) component of the Raw Materials Price Index from CANSIM Series P6508. The adjustment for inflation is the Consumer Price Index, CANSIM Table No. 326-0002, altered to 1997 = 100.

Driver #2: Trends in the price of rurality[1]

Given the crucial role of distance in our understanding of rurality[2], it is important to know whether the price of distance (i.e. the price of overcoming distance) is going up or down over time. We are all aware that the time needed to travel across Canada has declined from many months for fur traders travelling in a canoe (in the 1700s) to many days for travellers on a cross-Canada train (in the late 1800s) to many hours for travellers on a jet airplane (in the mid-1900s). The time cost has declined – how much has the money cost declined?

Rural is defined by distance and density. Density refers to the number of people per square kilometre and a higher density (i.e. a bigger town or city) implies that higher-order[3] services would exist in this location. Distance is a measure of the time and money cost to access these services or to sell to these markets. Thus, places with lower population density and longer distances would be more rural[4]. A decline in the price of distance would indicate a decline in the price of rurality.

Trend in the price of transporting goods

In general, the price of transporting goods has declined over time (relative to the general price trends). Barring a couple of upward blips, the price of transporting goods by railroad has fallen continuously since the early 1960s (Bollman and Prud'homme, 2006, Figure 1). The price of transporting goods by truck increased, marginally, up to the end of the 1970s, but has been decreasing since that time (Figure 3).

As noted by Glaeser and Kohlase (2004) and Rietveld and Vickerman (2004), one reason for a decline in the price of transporting goods is the trend to increased efficiencies (and thus declining costs) for trans-shipments (i.e., loading, unloading, less time in temporary storage, etc.).

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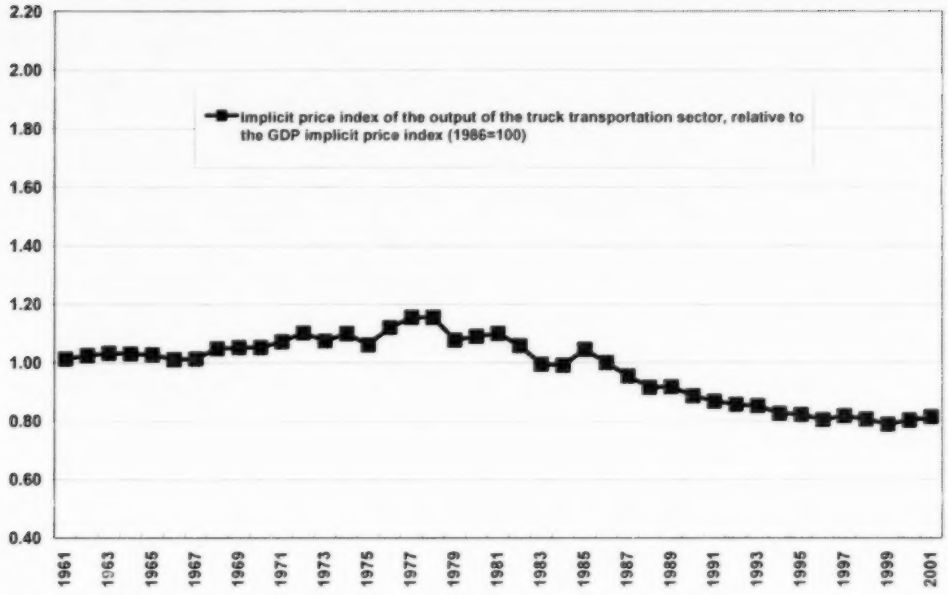
1. This section summarizes the discussion regarding trends in the price of rurality by Bollman and Prud'homme (2006).
2. The term "rurality" is used in the sense of the degree of being rural. Thus, the degree of rurality would be greater for individuals living in a place with a lower population density or in a place further from an urban centre.
3. A "higher-order" service describes the presence of a brain surgeon in a metro hospital compared to a family physician in a smaller hospital or a professional hockey team compared to a Pee Wee team at the local rink.
4. Note that the distances to access different services or different markets are different. Thus, one's measure of rurality would change, depending upon whether one was considering access to a monthly ballet performance or access to a curling rink or access to a sizable number of organic restaurants to market your organic farm products.

Figure 3 Truck transport prices have fallen since the late 1970s



Source: Statistics Canada, GDP Implicit Price Index.

The trend in the price of transportation (people and cargo combined) in the air transport sector was flat in the 1960s and in the 1970s, higher but flat in the 1980s and early 1990s, but has been increasing in recent years (Bollman and Prud'homme, 2006, Figure 3).

Thus, the price of moving goods by rail or by truck has been falling whereas the price of transporting goods (plus people) by air transport has been increasing in recent years.

The decline in the price of transporting goods over time is one reason for the increase in the geographic spread of the production of components for manufactured goods – which are transported from various locations to the assembly plant (often using "just-in-time" delivery systems). This dovetails with the ongoing trend of larger manufacturers outsourcing part of their production processes to smaller, independent companies. The geographic spread of enterprises which manufacture components of the final product is due, in part, to the decline in the price of transporting goods.

The decline in the price of transporting goods is one factor explaining the spread of manufacturing jobs into rural areas (Baldwin *et al.*, 2001). Rural Canada has always had manufacturing jobs (fish processing, smelting, sawmills, pulp and paper plants, etc.) but some of the newer manufacturing jobs are part of the network of just-in-time delivery systems. To the extent that the price of transporting goods might be expected to decline in the future, manufacturing jobs would be expected to continue to spread into rural areas.

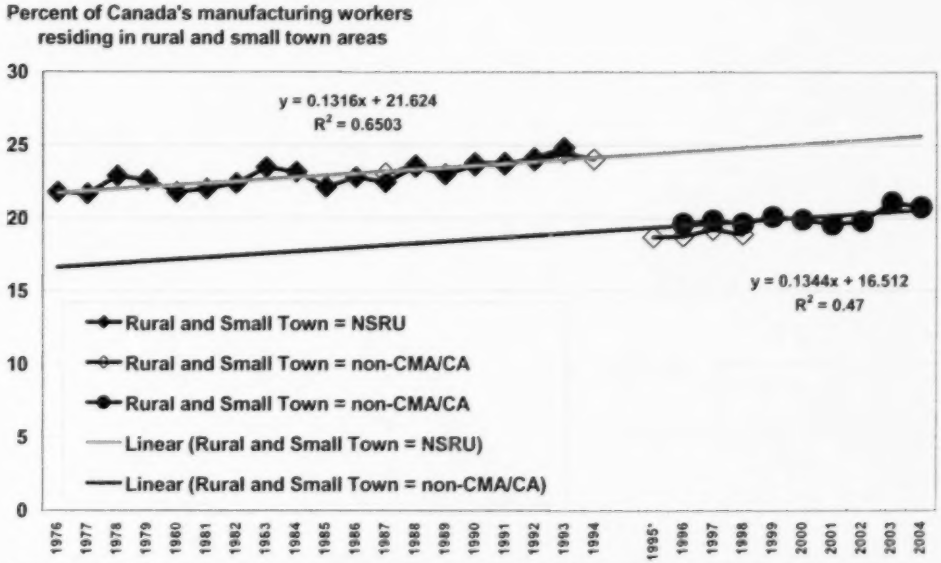
An Aside on the Trends in Rural Manufacturing

A relative decline in the price of transporting goods may be expected to increase the competitiveness of rural areas in manufacturing. David Freshwater (2003) has argued that manufacturing may be expected to be the export base of successful rural communities of the future.

In Canada, early manufacturing was a rural activity as considerable activity took place close to the harvest and extraction of the raw resource, such as fish processing plants, sawmills, pulp and paper mills and smelters. Also, for many early manufacturing activities, waterfalls were needed to power waterwheels and they tended to be in rural areas.

Over the last three decades, rural Canada has been increasing its share of total manufacturing employment (Figure 4) (see also Beshiri, 2001). If we define competitiveness as increasing one's market share (e.g. Brinkman, 1987), then rural Canada is competitive in manufacturing. The share of Canada's manufacturing workforce

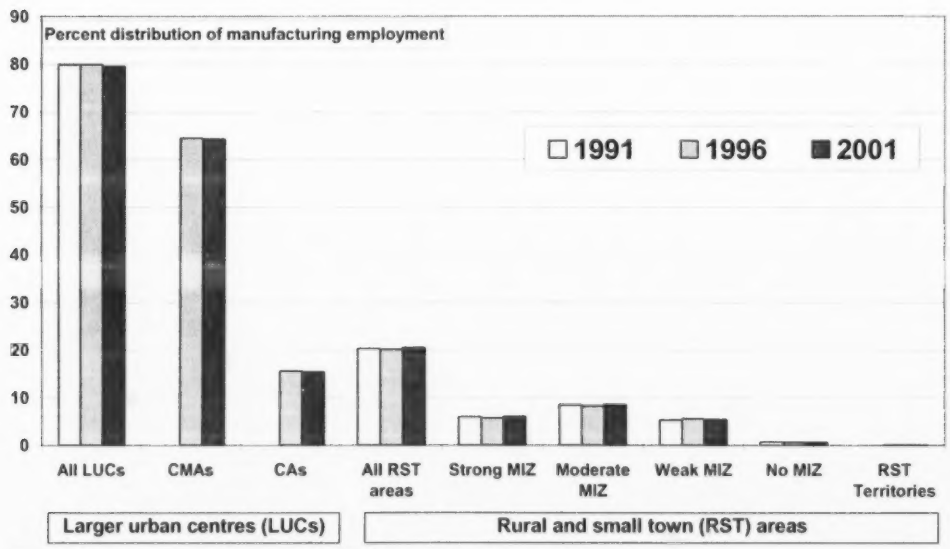
Figure 4 Rural and Small Town Canada has been gaining manufacturing employment, relative to Canada as a whole



Source: Statistics Canada, Labour Force Survey. Non-self representing units (NSRUs) are smaller municipalities (generally less than 10,000 population). A Census Metropolitan Area (CMA) has a core population of 100,000 or more and includes neighbouring municipalities where 50% or more of the workforce commutes to the core. A Census Agglomeration (CA) has a core population of 10,000 to 99,999 and includes neighbouring municipalities where 50% or more of the workforce commutes to the core. Rural and small town areas are non-CMA/CA areas. An asterisk (*) indicates some of the change may be due to a change in the survey design.

living in rural and small town areas has increased about 0.13 percentage points per year since 1976[5]. In 2004, 21% of Canada's manufacturing workers lived in rural and small town areas. Obviously, some of these residents may be commuting to larger urban centres to work. However, the resident workforce in each degree of rurality (in each metropolitan influenced zone [McNiven *et al.*, 2000]) has maintained its share of Canada's overall workforce (Figure 5). Thus, each type of rural area appears "competitive" in manufacturing employment.

Figure 5 Each metropolitan influenced zone has maintained its share of Canada's total manufacturing employment, Canada, 1991 to 2001



Source: Statistics Canada, Census of Population, 1991, 1996 and 2001. Data are tabulated within current boundaries.
Census Metropolitan Areas (CMAs) have 100,000 or more in the urban core and includes all neighbouring towns and municipalities where 50% or more of the workforce commutes to the urban core. Census Agglomerations (CAs) have 10,000 to 99,999 in the urban core and includes all neighbouring towns and municipalities where 50% or more of the workforce commutes to the urban core. Metropolitan Influenced Zones (MIZ) are assigned on the basis of the share of the workforce that commutes to any CMA or CA (Strong MIZ: 30 or more; Moderate MIZ: 5 to 29%; Weak MIZ: 1 to 5%; No MIZ: no commuters).

5. Note that some rural areas were re-classified as urban areas in 1995. Some towns surpassed the threshold of 10,000 in the urban core and in other cases, commuting patterns changed and some rural areas were assigned to the labour market of larger urban centres. Interestingly, after this reclassification, the remaining rural and small town areas continued to increase their share of Canada's manufacturing employment at the same rate – the coefficient for time (variable "*x*" in Figure 4) was 0.13 both before and after the reclassification of 5 percentage points of Canada's manufacturing workforce from "rural and small town" to "larger urban centres."

Trend in the price of communicating information

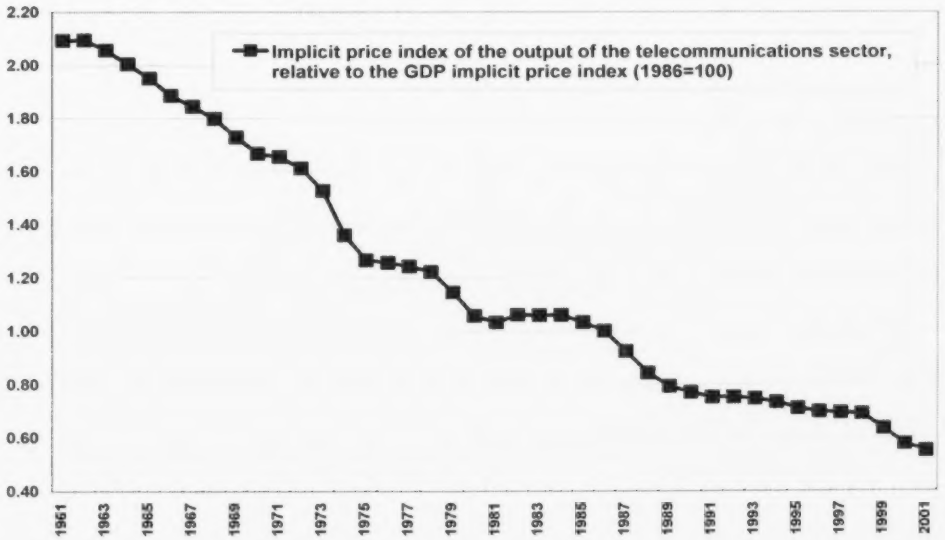
The price of services provided by the telecommunications sector has fallen continuously since the 1960s (Figure 6).

The decline in the price of telephone services has been a major component of the decline in the price of telecommunication services. The Internet is new – and its price has been declining in recent years. However, the price of postal services has been increasing since the mid-1970s (Bollman and Prud'homme, 2006, Figure 8). The price of postal services is essentially the price of stamps for letters and parcels. Thus, with the exception of postal services, the overall price of communicating information across space has been declining.

The overall decline in the price of transferring information implies a decline in the price of this dimension of rurality. It is relatively less expensive for rural-to-urban and rural-to-rural and urban-to-rural communication. However, it is possible that the price of urban-to-urban communication has fallen even faster. As anecdotal evidence, we might ask, "who got Broadband first?"

The falling price of transferring information is a two-edged sword. Rural people can receive information faster and can send information faster – and so can urban people! This will change the opportunities in rural areas. We are seeing fewer bank tellers in rural areas and fewer travel agents. Will we see more rural entrepreneurs who will use the Internet to sell their goods or services?

Figure 6 Telecommunications prices have fallen since the 1960s

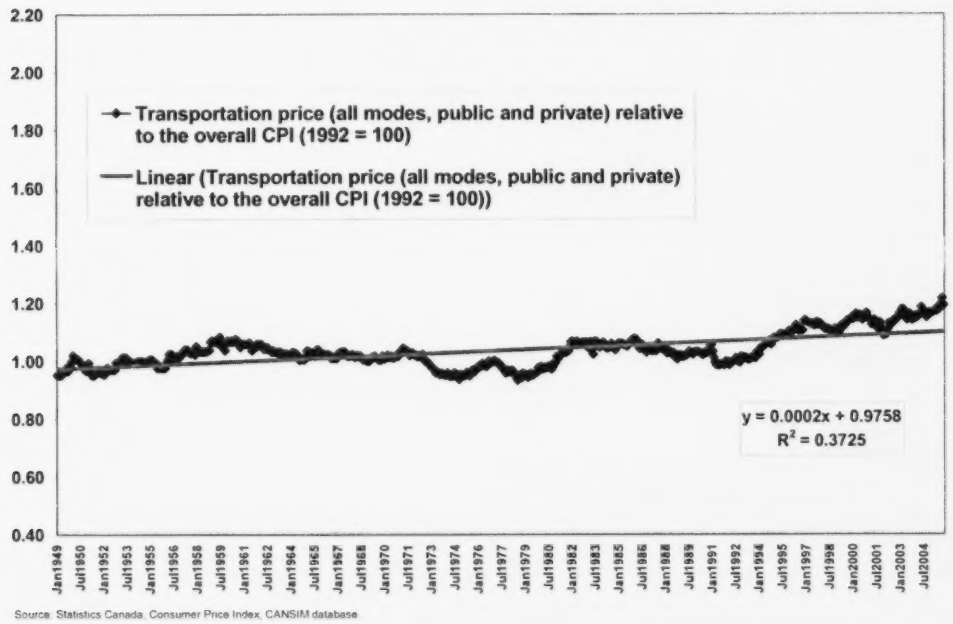


Source: Statistics Canada, GDP Implicit Price Index

Trend in the price of moving people

The price of transportation services purchased by consumers has increased, albeit marginally, over time (Figure 7). However, this long run trend has varied over time. Transportation prices increased in the 1950s, fell throughout the 1960s and 1970s, jumped with the energy price shock of the early 1980s, but then fell throughout the 1980s before generally increasing since the start of the 1990s. Overall, the relative price of transporting people has increased (relative to the overall trend of consumer prices) although there were long periods of price decline.

Figure 7 The price of transporting individuals increased throughout the 1990s



Source: Statistics Canada, Consumer Price Index, CANSIM database

Note that Figure 7 is scaled to be consistent with the scaling of the other charts so that the magnitude of the relative price change can be compared across charts. Between the low price month of December, 1991 (index = 0.992) and the higher price month of September, 2005 (index of 1.22), the price of transporting people (all modes, public and private) increased by 23%, relative to the overall trend in prices.

An individual may choose either public transportation services (buses, trains, airplanes) or private transportation services (mainly, operating a private vehicle) in order to travel from one location to another. In general, the price of both public transportation services and private transportation services has been increasing since the beginning of the 1990s.

Price of private transportation services

The major component of transport costs faced by consumers is the cost of travelling in private vehicles (mainly automobiles). The overall price of private transportation fell almost continuously during the 1950s, the 1960s and the 1970s (Bollman and Prud'homme, 2006, Figure 10). The price jumped with the energy price spike of the early 1980s but fell from this higher level during the later 1980s. However, the price of private transportation has been increasing since the beginning of the 1990s.

There are three major components of the overall price of private transportation[6]:

a) the price of gasoline;
b) the price of purchasing a new vehicle; and
c) the price of insuring the vehicle.

We will look at each of these components in turn.

The price of gasoline fell, relatively, during the 1950s and the 1960s and the 1970s – it spiked sharply in the early 1980s, generally declined from this peak during the 1980s and 1990s, but has been relatively higher in the 2000s (Bollman and Prud'homme, 2006, Figure 11).

The price of purchasing a new vehicle, relative to the overall price of consumer goods and services, has been generally decreasing since the beginning of the 1960s, albeit with a slight upward movement during the early 1990s (Bollman and Prud'homme, 2006, Figure 12).

One important aspect of private transportation, the price of insuring the vehicle, has been generally and persistently increasing overtime (Bollman and Prud'homme, 2006, Figure 13).

Thus, in spite of the decline in the price of purchasing a new vehicle, the price of transporting individuals across space has increased, due in part to the relative increase in gasoline prices in recent years and due to the increase in insurance prices.

The price of public transportation services

Overall, the price of public transportation (i.e. the prices of fares for travel by plane, train, bus, subway, taxi, etc.) faced by individuals has been increasing over time (Bollman and Prud'homme, 2006, Figure 14). This contrasts with the decline in the price of private transportation from the 1950s to the 1980s before the increase in prices back to the relative level of the early 1960s (Bollman and Prud'homme, 2006, Figure 10). The price of public transportation in the 2000s is double the level of the 1960s.

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6. The price of "parts, maintenance and repairs" has not changed over time, relative to the trend of the overall Consumer Price Index. Note also that the level of expenditure on gasoline is about double the level of expenditure on "parts, maintenance and repairs." The level of expenditure on insurance is about 1.5 times the level of expenditure on "parts, maintenance and repairs" (see Statistics Canada [2004], Table A, p.52).

One component of the basket of public transportation services purchased by consumers is air transport flights. This includes both domestic and international flights. Air transportation prices paid by individuals were relatively stable (compared to the trend for all prices) during the 1960s and most of the 1970s (Bollman and Prud'homme, 2006, Figure 15). Since the energy price jump in the early 1980s, the price of airline travel faced by consumers has been increasing, relative to the average price of goods and services purchased by consumers. The prices paid by consumers in 2004 were double the prices paid in the 1970s – however, output prices for moving people AND cargo (Bollman and Prud'homme, 2006, Figure 3) were only 50% higher in 2001, compared to the 1970s.

The price of moving people via inter-urban and rural bus systems fell in the 1960s and in the 1970s but has been increasing since that time (Bollman and Prud'homme, 2006, Figure 16).

Overall, the price of transporting people by public transport has increased more than the price of transporting people by private transport.

The increase in the price of transporting people[7], if it should continue, would have important implications for rural. The price for city folks to travel to rural areas will increase – for example, the price of a tourism visit to rural Canada would increase, relatively. Also, the price for rural folks to travel to urban areas will increase – for example, the price of commuting to metro jobs would increase, relatively, which may reduce movement of urban people to rural places to live and thus reduce urban sprawl.

Driver #3: Demography

Aboriginal people will remain a driver for parts of Canada's rural demography

Historically, rural Canada has been Aboriginal intensive and Aboriginal Canadians have been rural intensive. Over time, an increasing share of Aboriginals have been living in urban centres. By 2001, 23% were living in predominantly urban regions and 65% of Aboriginals resided in predominantly rural regions (Table 1).

Overall, Aboriginal people represented 3.3% of Canada's population in 2001. Within rural non-metro adjacent regions, Aboriginals represented 6% of the population and within rural northern regions, Aboriginals represented 34% of the population.

7. Note that I am not talking about whether the cost of transportation has changed for rural people more or less than for urban people. Rather, I am asking whether the price of making the trip has gone up or down. If the price has gone up, then the price of rurality is up and rural is further from urban (compared to the period when the price was lower). Both the trip from rural to urban is more expensive and the trip from urban to rural is more expensive. It is more expensive for rural individuals to access urban services and it is more expensive for urban folks to access rural services. This shift in the price of moving people between urban and rural areas has important implications for rural development.

Canada's Aboriginal population is projected to grow from 0.97 million in 2001 to 1.4 million individuals in 2017 (Statistics Canada, 2005). Most of this growth is projected to be on Indian Reserves (which are largely in predominantly rural regions) or in the larger metro centres.

Aboriginal demographic growth is an important feature of the demographic change in some parts of rural Canada. The share of the total population represented by Aboriginals is expected to be 21% in Saskatchewan (up from 14% in 2001) and 18% in Manitoba (up from 14% in 2001) (Figure 8). Aboriginal children, as a percent of all children in Saskatchewan, are expected to increase from 26% in 2001 to 37% in 2017 (Figure 9). In Manitoba, the share is expected to increase from 24% in 2001 to 31% in 2017. This demographic driver will impact both rural areas and metro centres within each province. This represents a potential for rural demographic growth (and for metro growth in some cities).

Table 1 Population reporting an Aboriginal identity, Canada, 2001

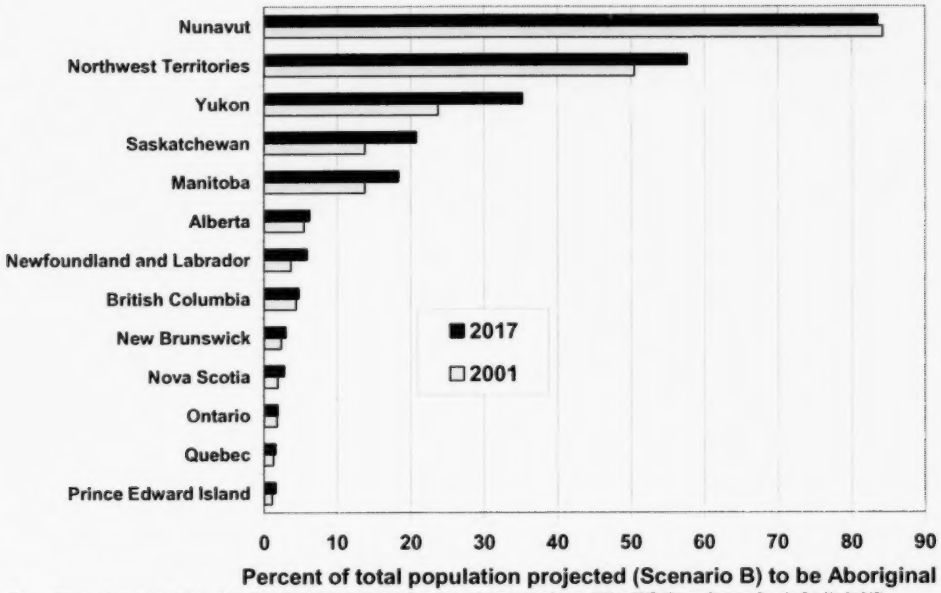
			Predominantly rural regions				
	Predominantly urban regions	Intermediate regions	All predominantly rural regions	Rural metro-adjacent regions	Rural non-metro-adjacent regions	Rural northern regions	All regions
	*** Population ***						
Population with an Aboriginal identity	225,285	119,095	631,965	177,810	240,845	213,310	976,345
Total population	14,944,855	5,932,162	9,130,077	4,615,955	3,896,493	617,629	30,007,094
	* Population with an Aboriginal identity, as a percent of the total population *						
	1.5	2.0	6.9	3.9	6.2	34.5	3.3
	*** Percent distribution of population ***						
Population with an Aboriginal identity	23.1	12.2	64.7	18.2	24.7	21.8	100.0
Total population	49.8	19.8	30.4	15.4	13.0	2.1	100.0

"Aboriginal indentity" refers to those persons who reported identifying with at least one Aboriginal group, i.e. North American Indian, Métis or Inuit (Eskimo), and/or those who reported being a Treaty Indian or a Registered Indian as defined by the Indian Act of Canada and/or who were members of an Indian Band or First Nation.

Predominantly rural regions have over 50 percent of their population living in rural communities. Rural communities have a population density less than 150 persons per square kilometre. Intermediate and predominantly urban regions have 15 to 49 and less than 15 percent, respectively, of their population living in rural communities

Source: Statistics Canada, Census of Population, 2001.

Figure 8 In 2017, 21% of Saskatchewan's population is projected to be Aboriginal

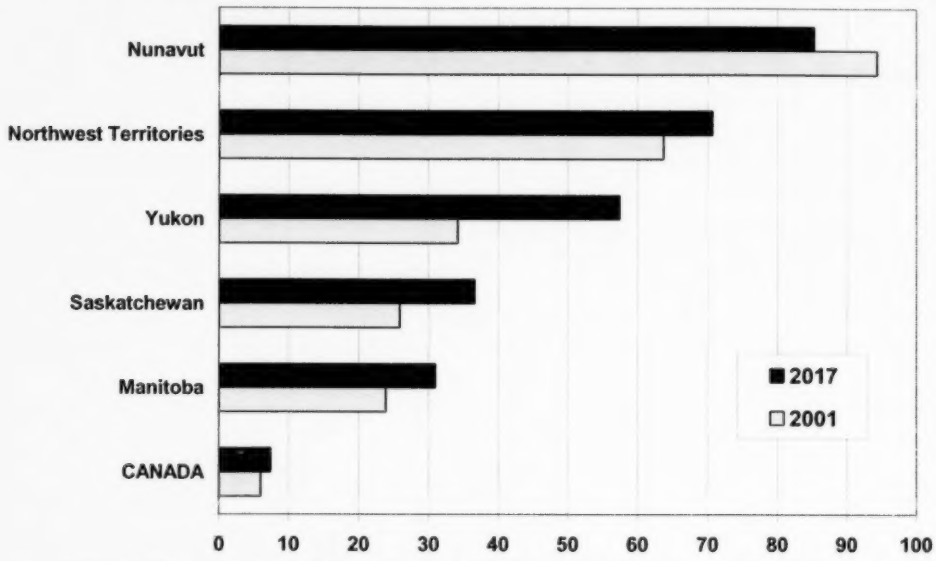


Source: Statistics Canada (2005), **Projections of the Aboriginal populations, Canada, provinces and territories, 2001 to 2017** (Ottawa: Statistics Canada, Cat. No. 91-547)

However, there are challenges. In general, Canada's Aboriginal population has made tremendous advances in their socio-economic conditions – but the gap with non-Aboriginal Canadians did not close (much) during the 1980s (Government of Canada, 1995). The gap at the end of the 1990s remained wide – but the gap continued to close somewhat. For example, the unemployment rate among Aboriginals in larger cities was 12 percentage points higher than for non-Aboriginals in 1996 – this gap narrowed somewhat to a gap of 6.5 percentage points in 2001 (Figure 10). Nevertheless, a wide socio-economic gap still remains between the Aboriginal and the non-Aboriginal population – and this gap is similar in both urban and rural areas[8].

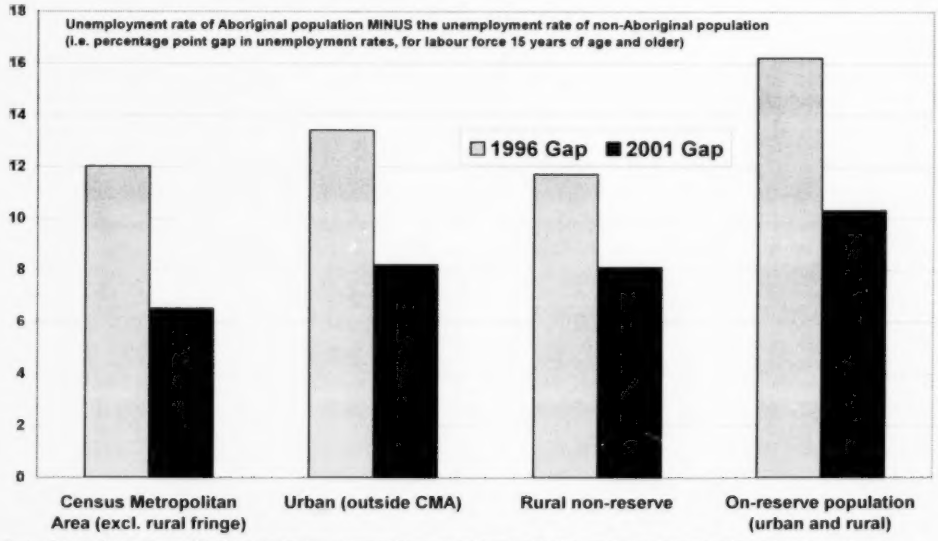
8. Various tabulations are available at (www12.statcan.ca/english/census01/products/standard/themes/ListProducts.cfm?Temporal=2001&APATH=3&THEME=45&FREE=0).

Figure 9 In 2017, 37% of Saskatchewan's children under 15 years of age is projected to be Aboriginal



Source: Statistics Canada (2005). **Projections of the Aboriginal populations, Canada, provinces and territories, 2001 to 2017** (Ottawa: Statistics Canada, Cat. No. 91-547).

Figure 10 The gap between the Aboriginal and non-Aboriginal unemployment rate closed somewhat between 1996 and 2001



Source: Statistics Canada, Census of Population, 1996 and 2001. A Census Metropolitan Area (CMA) has an urban core of 100,000 or more individuals and includes neighbouring municipalities where 50% or more of the workforce commutes to the core (except, in this case, rural residents within CMAs are excluded). Rural refers to individuals living outside centres of 1,000 or more and urban refers to individuals in centres of 1,000 or more.

The economic advantages of agglomerations are driving the demographic growth of cities

Agglomerations exist and persist because of externalities which increase productivity and which hold cities together (Alasia, 2005; Hite, 2004). Localized knowledge spillovers are a key, but not the only, externality.

> *An essential characteristic of learning is that it involves interactions with others. High population density, and greater diversity, allow for more and richer interactions. In turn, interactions facilitate knowledge generation, diffusion, and accumulation; in other words, agglomeration facilitates learning and innovation.* (Alasia, 2005, p. 50).

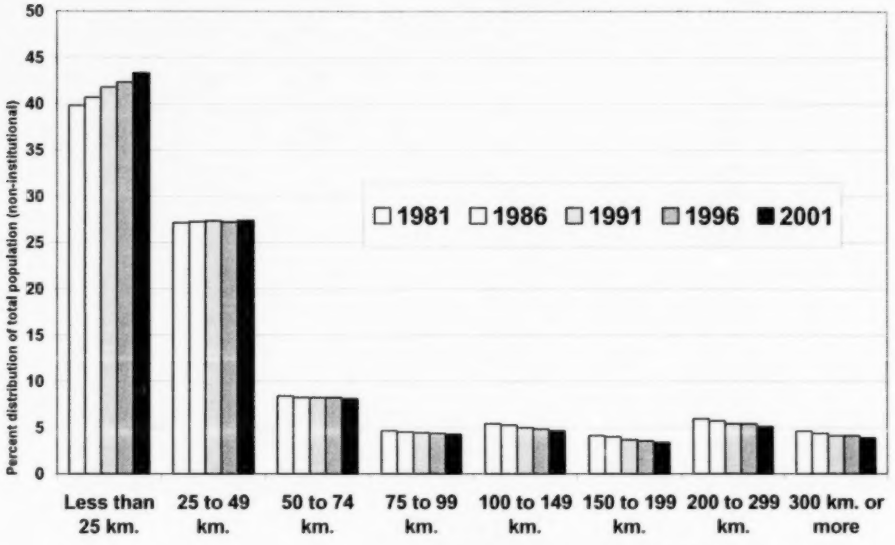
Agglomeration economies (or external economies of scale) are driving the demographic growth of cities. The question for rural areas is: can rural areas find ways to link to this driver? One option is to produce specialty goods and services to sell into the rich, growing and segmenting metro niche markets.

Canada ranks as a typical OECD country in terms of the share of the population that lives in urban and rural regions (Cunningham and Bollman, 1997, Figure 4).

From 1981 to 2001, metro centres trumped population growth. The share of Canada's population within 25 kilometres of a metro centre[9] increased to 43% by 2001 (Figure 11). The share of the population within 25 to 49 kilometres held steady at 27% over the 1981 to 2001 period. Thus, by 2001, 70% of Canada's population lived within 50 kilometres of a metro centre.

9. In this paper, metro centre refers to Census Metropolitan Areas (CMAs) which have an urban core of 100,000 or more individuals and include all surrounding towns and municipalities where 50% or more of the workforce commutes to the urban core.

Figure 11 Communities more than 50 km from a CMA with over 100,000 inhabitants are, on average, not competitive (their share of total population is declining)

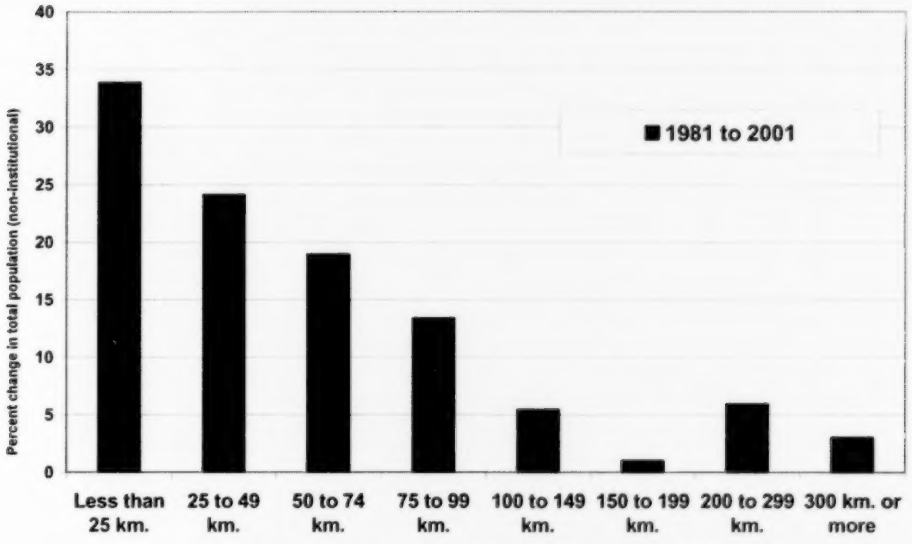


Source: Statistics Canada, Census of Population, 1981 - 2001.
A CMA (Census Metropolitan Area) has an urban core of 100,000 or more.

The share of Canada's population in communities more than 50 kilometres from a metro centre declined continuously during the 1981 to 2001 period. If one defines "competitive" as increasing your market share, then these communities were not competitive, on average, over this period.

The further the community is from a metro centre, the lower was the rate of population growth (Figure 12). On average, population growth was positive in each group of communities – but communities more than 50 kilometres from a metro centre grew at a slower pace than the national rate of population growth (which was an increase of 23% from 1981 to 2001). Hence, the share of Canada's population in these communities declined over these two decades.

Figure 12 The greater the distance from a metro centre, the lower the rate of population growth, on average, from 1981 to 2001

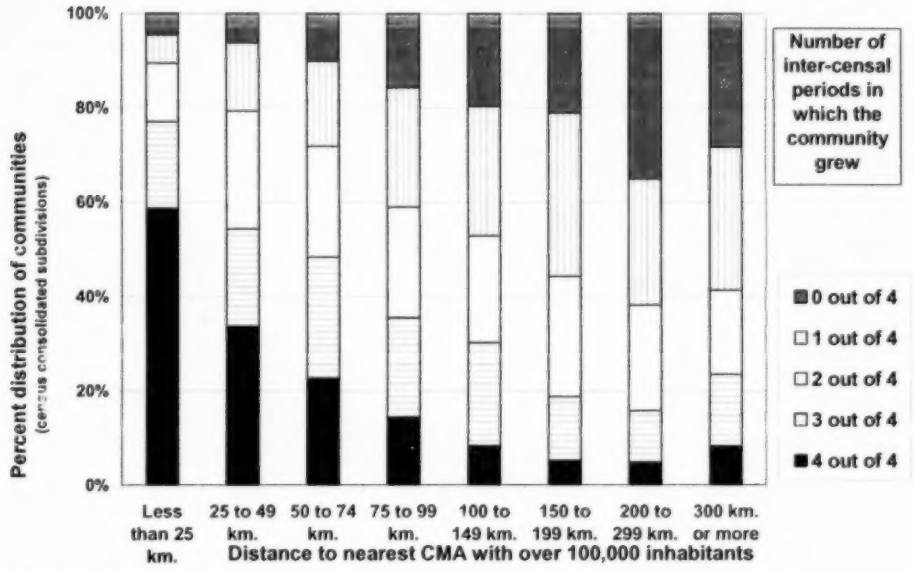


Source: Statistics Canada, Census of Population, 1981 - 2001.
A CMA (Census Metropolitan Area) has an urban core of 100,000 or more.

The power of metro centres to drive population growth looks exceptionally strong (in Figure 12). However, not all metro centres and not all communities close to metro centres performed equally over the 1980s and 1990s. In fact, only 58% of the communities within 25 kilometres of a metro centre successfully attained population growth in 4 out of 4 inter-censal periods between 1981 and 2001 (Figure 13). Another 18% grew their population in 3 of the 4 inter-censal periods, but suffered a population decline in one 5-year period between 1981 and 2001. Perhaps surprisingly, 5% of the communities within 25 kilometres of a CMA declined continuously from 1981 to 2001. A nearby metro agglomerated economy was unable to drive population growth in these communities.

It appears that communities 200 to 299 kilometres from a CMA fared the worst in terms of population growth performance during the 1980s and the 1990s. Only 5% achieved continuous population growth in 4 out of 4 intercensal periods and over one-third suffered continuous population declines in this two-decade period. These communities were more than 2 hours from the 'benefits' of a metro centre – such as an international airport, a large hospital, a potential market for goods and services produced in the non-metro community, etc.

Figure 13 For communities within 25 km of a CMA with over 100,000 habitants, 58% of the communities grew in 4 of the 4 intercensal periods from 1981 to 2001



Source: Statistics Canada, Census of Population, 1981 - 2001
A CMA (Census Metropolitan Area) has an urban core of 100,000 or more

Rural areas are competitive in attracting two demographic groups: young adults and early retirees

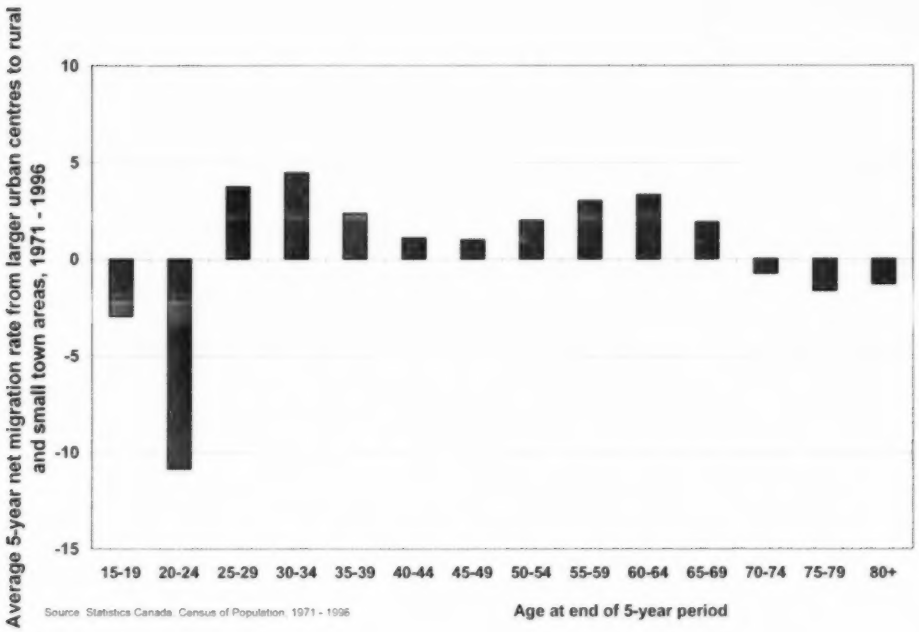
In general, rural areas are competitive in attracting individuals in each age group from 25 to 69 years of age – i.e. more individuals move to rural areas than move out of rural areas in each of these age groups (Figure 14) (Rothwell, 2002; Rothwell *et al.*, 2002).

Young adults are moving to rural areas near to cities (Bollman, 2000, Figure 23). They find housing is less expensive, there is more open space for raising children and one spouse can make the long drive to the city for work.

Rural youth say they leave rural areas due to a lack of jobs, a lack of post-secondary educational opportunities and a lack of fun (Figure 15). When asked what would attract them to live in a rural community, jobs and education and fun were conspicuous by their absence from their responses. Rather, it was family and personal security (in a pre-9/11 survey) that made rural attractive (Figure 16). Finally, when rural youth were asked what could be done to attract young people to rural communities, jobs and fun were at the top of the list – but jobs were only half as likely to be mentioned, compared to the statement that the lack of jobs was the major reason why youth would leave a rural area (Figure 17).

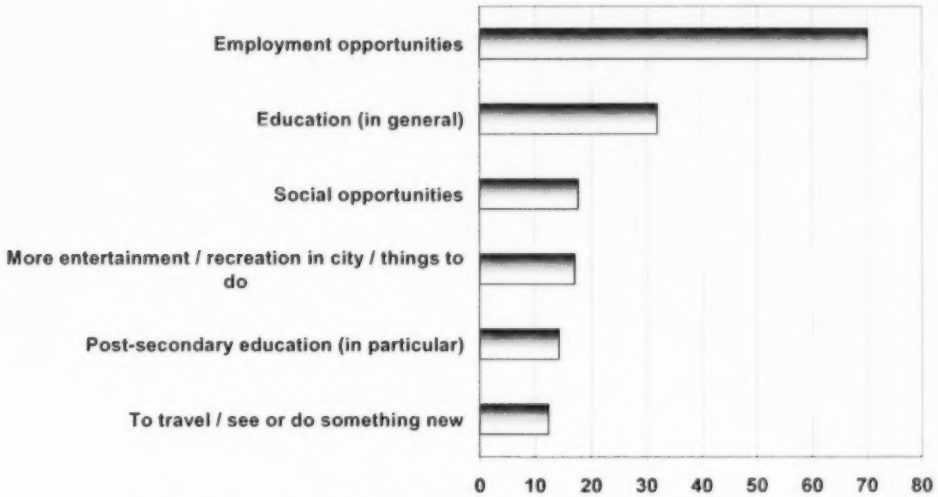
Rural areas are also relatively attractive to early retirees – individuals from 55 to 69 years of age (Figure 14). In terms of the ability of a community to attract early retirees (as indicated by the share of individuals in a given age group who had moved into the community during the previous five years), we see that it is "cottage country[10]" that is attracting early retirees. Communities that are most attractive include the Laurentians north of Montreal, the Muskoka Lakes north of Toronto plus the Okanagan Valley of British Columbia (map not shown).

Figure 14 In-migration to rural and small town Canada exceeds out-migration in all age classes from 25 to 69 years



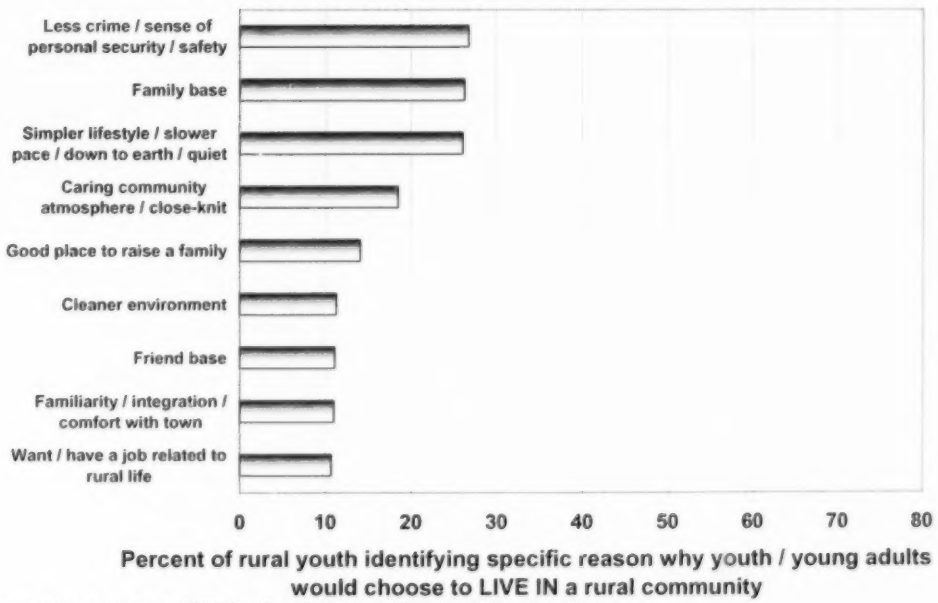
10. Specifically, individuals are retiring to lake-front cottages previously used only during summer holidays.

Figure 15 Youth leave rural communities because of jobs (#1), education (#2) and fun (#3)



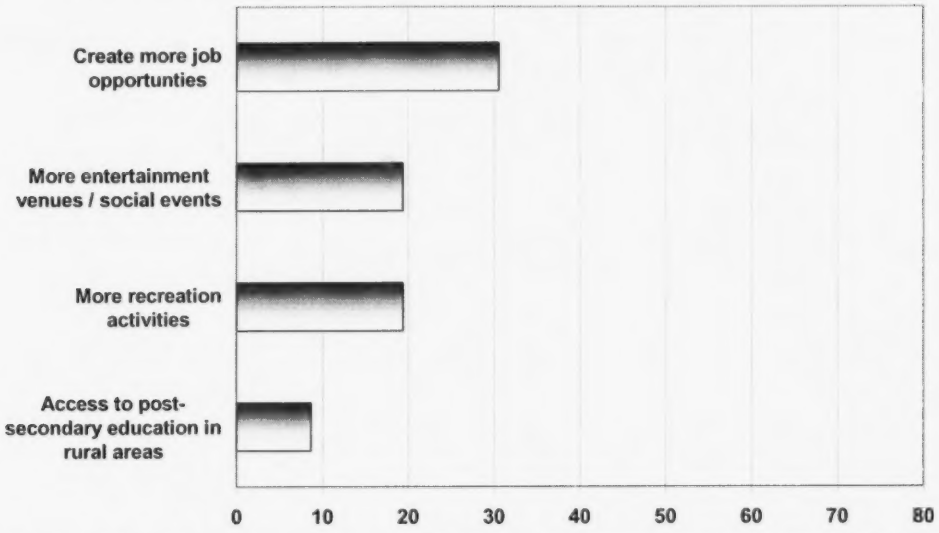
Source: Malatest and Associates. (2002) Technical Report. Research into Rural Youth Migration (Ottawa: Rural Secretariat).
Totals sum to more than 100 percent as multiple responses were recorded.

Figure 16 Youth would live in rural communities because of family and community


Less crime / sense of personal security / safety
Family base
Simpler lifestyle / slower pace / down to earth / quiet
Caring community atmosphere / close-knit
Good place to raise a family
Cleaner environment
Friend base
Familiarity / integration / comfort with town
Want / have a job related to rural life
0
10
20
30
40
50
60
70
80
Percent of rural youth identifying specific reason why youth / young adults would choose to LIVE IN a rural community

Source: Malatest and Associates. (2002) Technical Report. Research into Rural Youth Migration (Ottawa: Rural Secretariat).
Totals sum to more than 100 percent as multiple responses were recorded.

Figure 17 Rural youth say more jobs (#1) and more fun (#2) would attract youth to rural communities



Source: Malatest and Associates. (2002) Technical Report: Research into Rural Youth Migration (Ottawa: Rural Secretariat).
Totals sum to more than 100% as multiple responses were recorded.

Some rural regions are successful in attracting international immigrants

Most new immigrants to Canada choose to live in a larger metropolitan centre. Consequently, within predominantly urban regions in 2001, 28% of the residents had been born outside Canada (Beshiri, 2004). In predominantly rural regions, only 6% had been born outside Canada. However, some rural regions are competitive in attracting immigrants. When Canada's 288 census divisions are ranked from top to bottom in terms of their ability to attract immigrants (as measured by the share of the resident population who arrived within the previous year), we find a predominantly rural region (the Winkler-Altona-Morden area of Manitoba) ranked as number three (Table 2). In fact, 9 of the top 30 regions are predominantly rural regions.

Table 2 Manitoba's census division no. 3 attracted 1.7% of its population as immigrants

Census division	Type of region	Annual arrival of immigrants as percent of total population (2000-2001-2002 average)
Toronto Metropolitan Municipality, Ontario	Predominantly urban	**2.91**
Peel Regional Municipality, Ontario (west of Toronto)	Predominantly urban	**2.15**
Manitoba Census Division No. 3 (includes Altona, Morden and Winkler)	***Predominantly rural***	**1.71**
Greater Vancouver Regional District, British Columbia	Predominantly urban	**1.64**
Communauté-Urbaine-de-Montréal, Québec	Predominantly urban	**1.43**
Essex County, Ontario (includes Windsor)	Intermediate	**1.15**
Ottawa-Carleton Regional Municipality, Ontario	Predominantly urban	**1.08**
York Regional Municipality, Ontario	Intermediate	**1.02**
Alberta Census Division No. 6 (includes Calgary)	Predominantly urban	**0.83**
Waterloo Regional Municipality, Ontario	Predominantly urban	**0.81**

Source: Statistics Canada. Components of annual population change by census division. CANSIM Table 051-0035.

This is a significant ranking. Immigrants, overwhelmingly, go to metro centres. It is significant that a predominantly rural region with three relatively small towns (Winkler, Morden and Altona had a population in 2001 of 7,943, 6,142 and 3,434, respectively) is competitive in attracting immigrants in the sense that they ranked third in Canada in terms of immigrant arrivals per capita (i.e. they ranked third in immigrant arrivals relative to the size of their region). This region has a Mennonite heritage and one target for their recruiting efforts is German-speaking Mennonites, often in Eastern Europe. Winkler, Morden and Altona are attractive to immigrants because there are jobs. This region has built a successful manufacturing sector that is expanding faster than the local workforce.

Thus, some predominantly rural regions are successfully attracting immigrants. By 2026, Canada is expected to start experiencing more deaths than births so that all of Canada's demographic growth will necessarily be due to immigration (Statistics Canada, 2003). The ability of rural regions to attract immigrants will be a driver of rural growth.

Summary and conclusions

Three fundamental drivers for rural Canada are technology, prices, and demography.

One long-run trend in human history is the increasing value of human time. This means there is an on-going incentive to adopt labour-saving technology – to substitute machines for labour. Thus, regardless of the price of outputs (wheat or lumber or nickel or . . .), communities dependent on primary sectors will have fewer and fewer people working in these sectors. Successful communities will be those who find a new good or service to export in order to maintain their employment base.

The price of transporting goods is falling in the longer run, the price of transporting information is falling in the long run and the price of transporting people is increasing in the longer run. What are the opportunities for rural development?

The falling price of transporting goods is one factor causing rural Canada to be competitive in manufacturing. We might expect that successful rural communities in the future will have a manufacturing base – except for places with a ski hill in the winter or a lake resort in the summer. Declining transport costs will only open the opportunity for manufacturing jobs – many other factors (such as skills, entrepreneurship, etc.) will decide the final outcome.

The falling price of transferring information is a two-edged sword. Rural people can receive information faster and can send information faster – and so can urban people! This will change the opportunities in rural areas. We are seeing fewer rural bank tellers and fewer rural travel agents. Will we see more rural entrepreneurs who can use the Internet to sell their goods or services?

Moving to demographics

- Aboriginal peoples will remain a driver of the demography of rural Canada:
- Agglomeration economies are driving the demographic growth of cities. Can rural areas compete by producing smaller production runs that can be sold into metro niches?
- Rural areas can attract young adults (especially if one householder can commute to the city for work) and rural areas can attract earlier retirees (to cottage country): and
- A number of rural regions are successful in attracting immigrants.

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